



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

Written Only

KATHRYN S. MATAYOSHI
SUPERINTENDENT

Date: 04/27/2015
Time: 02:00 PM
Location: 308
Committee: House Finance

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Resolution: SCR 097, SD1 REQUESTING THE DEPARTMENT OF EDUCATION TO ESTABLISH A HAWAII PUBLIC SCHOOLS FINANCIAL LITERACY TASK FORCE.

**Purpose of
Resolution:**

Department's Position:

The Department of Education (Department) appreciates the intent of SCR 97 SD1 which proposes to establish a financial literacy task force. However, the Department respectfully suggests that SCR 97 SD1 should be held in committee and provides the following comments:

With respect to resources, SCR 97 SD1 will impose a workload increase on the Department. Effective implementation of SCR 97 SD1 to support the task force would require additional funding of \$75,000 for travel costs, substitute teachers, curriculum review, and the development of data metrics, etc. The Department also requests that additional funding does not replace or adversely impact priorities indicated in our Executive Budget.

Further, on July 1, 2014, the Department presented the College, Career & Civic Life (C3) Framework for Social Studies State Standards to the Board of Education (Board) Student Achievement Committee. (Refer to <http://goo.gl/GuzumA>, in particular Attachments F and H.) The C3 Framework supports the three main goals of the Department's Strategic Plan and its purpose is:

- To guide states on upgrading state social studies standards;
- To provide a rigorous, inquiry-driven pedagogy that builds 21st century critical thinking and problem solving skills; and
- To foster engaged and effective citizens who can successfully transverse the worlds of college, career, and civic life.

In applying disciplinary tools and concepts, the C3 Framework includes Civics, Economics,

Geography, History, Anthropology, Psychology, and Sociology. *"Economic understanding [is focused] on help[ing] individuals, businesses, governments, and societies choose what resources to devote to work, to school, and to leisure; how many dollars to spend, and how many to save; and how to make informed decisions in a wide variety of contexts. Economic reasoning and skillful use of economic tools draw upon a strong base of knowledge about human capital, land, investments, money, income and production, taxes, and government expenditures."* (See the attached C3 Framework document at <http://goo.gl/3nH67I> and refer to pages 35 - 39 for suggested K-12 Pathway for Economic Decision Making, Exchange and Markets, The National Economy, and the Global Economy.)

During School Year 2014-15, the Department is in the process of:

- Working with the Social Studies Content Panel to examine how the C3 Framework may be used to update our existing Hawaii Content and Performance Standards III to specify 21st century learning targets.
- Developing and providing C3 Framework professional development and resources for a rigorous, inquiry-driven pedagogy that will guide social studies teaching and learning in the 21st century.

This fall, the Department will solicit feedback from social studies partner organizations and provide another update to the Board. Partner organizations include but are not limited to the Hawaii Council on Economic Education (HCEE), Hawaii Council for the Humanities, and the Federal Reserve Bank of St. Louis. Free classroom resources for educators to use to teach about money and banking, economics, personal finance and the Federal Reserve are available at www.stlouisfed.org/education.

While C3 is under review, the department currently maintains the following subjects are offered to students:

1) Economics is one of the five strands in social studies education, from kindergarten through grade twelve. This strand either deals directly with financial literacy, or provides a foundation for discussion of financial literacy concepts in all grade levels.

2) All high school students are required to take one year of social studies elective credit. Students may choose to take Economics to fulfill part of their elective credit.

Within the larger Economics framework course, major aspects of financial literacy include but are not limited to the understanding the function of stock markets, creating personal financial plans related to income saving and spending, the role of loans, credit, and investment options in personal financial plans.

3) The Common Core State Standards for mathematics allow students to address financial literacy in real-world situations.

Modeling links classroom mathematics to everyday life, work and decision making. It is the process of choosing and using appropriate mathematics and statistics to analyze empirical situations, to understand them better and to improve decisions. Real world situations are not organized and labeled for analysis, thus analyzing them is appropriately a creative process. Examples of such situations may include:

- Designing the layout of the stalls in a school fair so as to raise as much money as possible.
- Analyzing different interest rates.
- Evaluating and comparing strategies on the basis of expected values. e.g., compare a

high-deductible versus a low deductible automobile insurance policy.

- Modeling savings account balance, bacterial colony growth, or investment growth.
- Engaging in critical path analysis, e.g., applied to turnaround of an aircraft at an airport.

As financial literacy is incorporated into curriculum opportunities, the department suggests that this measure is not necessary at this time.

Finally, in January 2010, the "Final Report of the Hawaii State Asset Building and Financial Education Task Force" was provided to the Legislature. Based on research carried out by the Task Force, the report included policy recommendations addressing financial education as it pertained to the Department and University of Hawaii at Manoa. A link to the report is provided here for the Committee's perusal - <http://goo.gl/rqbM9p>

Thank you for this opportunity to provide testimony on this measure.



SCR97 SD1

**REQUESTING THE DEPARTMENT OF EDUCATION TO ESTABLISH A HAWAII PUBLIC
SCHOOLS FINANCIAL LITERACY TASK FORCE.**

House Committee on Finance

April 27, 2015

2:00 p.m.

Room 308

The Office of Hawaiian Affairs (OHA) **SUPPORTS** SCR97 SD1, which requests the Department of Education to establish a financial literacy task force. This bill aligns with OHA's strategic priority of improving the economic self-sufficiency of Native Hawaiians.

Without knowledge and understanding of complicated and non-intuitive financial considerations, many people may have difficulty managing their personal finances and making sound decisions regarding such matters as purchasing, saving, investing, and borrowing. According to the Corporation for Enterprise Development (CFED) Assets and Opportunity Scorecard, while Hawai'i may rank high in some areas of household financial security, our residents may also lack important financial skills that would otherwise contribute to their economic self-sufficiency. For example, Hawai'i ranks 29th in its percentage of underbanked households, or households without a bank account or that must use often-costly alternative financial services for their basic transaction and credit needs. Particularly troubling is recent Federal Deposit Insurance Corporation (FDIC) data showing that over 34% of Native Hawaiians and Pacific Islanders in Hawai'i are unbanked or underbanked, compared to the 23.5% state average.

Such a lack of financial literacy can be especially damaging to students and families during hard economic times, when budgeting and planning for economic self-sufficiency is particularly critical.

Accordingly, these measures may facilitate greater financial literacy and economic stability in future generations, by helping to determine whether Hawai'i's public schools can include financial literacy as part of their educational curriculum.

Accordingly, OHA urges the Committee to **PASS** SCR97 SD1. Mahalo nui for the opportunity to testify.

Presentation To
House Committee on Finance
April 27, 2015 at 2:00pm
State Capitol Conference Room 308

Testimony in SUPPORT of Senate Concurrent Resolution 97, SD1

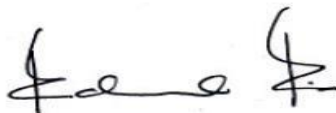
TO: The Honorable Sylvia Luke, Chair
The Honorable Scott Y. Nishimoto, Vice Chair
Members of the Committee

My name is Edward Pei and I am the Executive Director of the Hawaii Bankers Association (HBA). HBA is the trade association representing eleven FDIC insured depository institutions with branch offices in the State of Hawaii.

The Hawaii Bankers Association is in strong support of any and all efforts to include financial literacy in the curriculum of Hawaii's public schools. The experience of our institutions suggests that many young adults are ill equipped to handle even the most basic financial concepts, such as writing a check and balancing a check book, or using and managing a credit card. Managing personal finances, household budgeting, and planning for their financial future, or major expenditures, are critical skills that most are not prepared to handle. Some independent schools are beginning to introduce these concepts to their students and we believe these topics should also be taught in public schools.

Education seems to be evolving across the country and more schools are beginning to teach "life skills", rather than just the basic academic subjects. It is encouraging to see skills such as project and time management, human interaction, and communications be important focuses in the schools of the future. One of those life skills should definitely be managing personal finances and, while it is not necessary to make every child a financial expert, it is important that they enter adulthood equipped with a basic understanding of personal finances.

Thank you for the opportunity to submit this testimony and please let us know if we can provide further information.



Edward Y. W. Pei
(808) 524-5161

HOUSE COMMITTEE ON FINANCE
Monday, April 27, 2015 — 2:00 p.m. — Room 308

I Strongly Support SCR 97 SD 1, Requesting the Department of Education to Establish a Hawaii Public Schools Financial Literacy Task Force

Dear Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

My name is Brandon Lee and **I strongly support SCR 97 SD 1**, which creates a public schools financial literacy task force.

Money, and our ability to earn it and manage it, plays an overwhelming part of our daily lives. Furthermore, this challenge impacts people of all ages. Yet, financial literacy education is sporadic at best in Hawai'i's public school system.

In an economic system a generation ago, a person could expect to obtain a high school diploma to get a livable wage job, which included benefits such as a pension and medical coverage. Furthermore, Social Security was expected to cover and subsidize retirement costs and the cost of homes was more affordable to the average Hawai'i resident. Most importantly though, this meant that the average Hawai'i resident did not have to be as knowledgeable about finances to both be and feel financially secure.

In today's globalized economy, the government and businesses are cutting benefits including pensions and medical coverage. Furthermore, budgets in both the public and private sector are tight to remain economically competitive. This means workers will need to find ways to navigate their financial realities on their own. At the same time, financial instruments and programs have become increasingly complex and difficult to understand. In their lifetime, a young student will have to understand simple financial literacy topics like opening a savings account and using interest to their advantage to understanding long term care insurance and the value of a Roth IRA.

In the chart below "Financials Over a Lifetime," I've listed many of the financial considerations a young person will need to successfully navigate. In the end, there is little time and room for mistakes.

Financials Over a Lifetime

An estimated lifetime budget for a two parent household with two children:

Income

Your Salary (Age 25 to 67):	\$	45,000	x	42 years	=	\$	1,890,000
Your Spouse's Salary (Age 25 to 67):	\$	45,000	x	42 years	=	\$	1,890,000
Investment and Retirement Earnings:	\$	10,000	x	42 years	=	\$	420,000
Social Security Earnings:	\$	3,500	x	240 months	=	\$	840,000

Income Total: = **\$ 5,040,000**

Student Needs to Learn: Pay of Job Desired, Importance of Working, Financial Impact on Relationships, How to Open a Checking and Savings Account, How to Invest, What is Social Security, etc.

Expenses

Cost of Home:

20% Down Payment:	\$	675,000	x	20%	=	\$	135,000
30 Year Mortgage (Interest Included):	\$	540,000	with 4% interest rate		=	\$	940,000
Federal and State Taxes on Salary:		20%	of salaries		=	\$	756,000
Utilities (Electricity, Water):							
Electricity:	\$	250	x	720 months	=	\$	180,000
Water and Sewer:	\$	250	x	720 months	=	\$	180,000
Cable and Internet:	\$	100	x	720 months	=	\$	72,000

Food, Clothing, and Entertainment

Food:	\$	13,000	x	60 years	=	\$	780,000
Clothing:	\$	4,000	x	60 years	=	\$	240,000
Entertainment:	\$	6,000	x	60 years	=	\$	360,000
Mobile Communications:	\$	150	x	720 months	=	\$	108,000
Automobile Costs:	\$	20,000	x	10 cars	=	\$	200,000
Education (K-12 or College):							
K-12:	\$	1,000	x	26 years (2 kids)	=	\$	26,000
College:	\$	10,000	x	8 years (2 kids)	=	\$	80,000
Wedding Costs:	\$	25,000	x	3 (yours and kids)	=	\$	75,000
Travel Costs:	\$	4,500	x	20 times	=	\$	90,000
Healthcare Costs:	\$	6,000	x	60 years	=	\$	360,000
Insurance and Retirement Costs:	\$	11,000	x	40 years	=	\$	440,000
Funeral Costs:	\$	7,000	x	2 people	=	\$	14,000

Expenses Total: = **\$ 5,036,000**

Student Needs to Learn: Identifying Their Dream Expenditures, Cost of Housing, Understand Taxes, Understand Paying Their Bills, Importance of Becoming Financially Disciplined, What are Different Retirement Accounts, Different Health Care Options, Different Insurance Needs, Need for Wills and Trusts, etc.

Net Difference: = **\$ 4,000**

Student Needs to Learn: How to Create a Budget to Accomplish their Goals and Dreams

Takeaway Lesson: Financial literacy is a complex methodical skill, but can be taught. At the same time, individual plans are often required to ensure a young person's financial plan matches their goals and dreams. Furthermore, economic structures such as the loss of pensions, means young people are increasingly having to navigate their financial course on their own, but with little to no financial literacy training. Yet, there is also little time and room for mistakes.

A study conducted by Fidelity Investments found that 86% of millionaires are self-made and did not grow up wealthy. Financial literacy, while complex, is a methodical skill that can and needs to be taught in all Hawai'i public schools. This should be a goal for all education administrators and a public policy mandate as one of the greatest tools to prevent generational long-term poverty in some of our most dire communities.

At the same time, each student is an individual with his or her own dreams and aspirations. We know that not everyone in life is able to accomplish his or her dreams and it is often due to a lack of financial literacy. Currently, with few schools exposing Hawai'i's public school students to financial literacy training, our children are not adequately prepared to face the financial realities they will encounter when they enter into the real world. This will only make their lives more difficult.

As the world becomes more sophisticated and complex, it becomes more punishing for a young person to not immediately establish a path for financial self-sufficiency. For example, only some people understand the concept of compounding, and few understand how powerful it really is. In the chart below "The Power of Compounding", you diligently save and invest \$2,000 every year in your 20s and then stop. Meanwhile, a friend does not save in his/her 20s, but saves and invests \$2,000 every year from 30 to 60 years old. At the stock market's long-term growth rate of 8%, you would have more money than your friend when you both turn 60 while also putting in only 1/3rd of the amount of money. This demonstrates how extremely harmful it is for young people to be set out into the world without adequate financial training, only to potentially figure out financial literacy later in life after many years of trial and error.

The Power of Compounding

Compounding interest is powerful. Suppose you start right now, investing \$2,000 annually, tax-deferred, for 10 years. Now suppose your pal puts it off, investing \$2,000 in a similar account from year 10 through year 40. Assuming 8 percent interest a year for 40 years, look who comes out ahead.

Age	Years	YOU		YOUR PAL	
		Investment	Value	Investment	Value
21	1	\$ 2,000	\$ 2,160	\$ 0	\$ 0
22	2	\$ 2,000	\$ 4,493	\$ 0	\$ 0
23	3	\$ 2,000	\$ 7,012	\$ 0	\$ 0
24	4	\$ 2,000	\$ 9,733	\$ 0	\$ 0
25	5	\$ 2,000	\$ 12,672	\$ 0	\$ 0
26	6	\$ 2,000	\$ 15,846	\$ 0	\$ 0
27	7	\$ 2,000	\$ 19,273	\$ 0	\$ 0
28	8	\$ 2,000	\$ 22,975	\$ 0	\$ 0
29	9	\$ 2,000	\$ 26,973	\$ 0	\$ 0
30	10	\$ 2,000	\$ 31,291	\$ 2,000	\$ 2,160
31	11	\$ 0	\$ 33,794	\$ 2,000	\$ 4,493
32	12	\$ 0	\$ 36,498	\$ 2,000	\$ 7,012
33	13	\$ 0	\$ 39,418	\$ 2,000	\$ 9,733
34	14	\$ 0	\$ 42,571	\$ 2,000	\$ 12,672
35	15	\$ 0	\$ 45,977	\$ 2,000	\$ 15,846
36	16	\$ 0	\$ 49,655	\$ 2,000	\$ 19,273
37	17	\$ 0	\$ 53,627	\$ 2,000	\$ 22,975
38	18	\$ 0	\$ 57,917	\$ 2,000	\$ 26,973
39	19	\$ 0	\$ 62,551	\$ 2,000	\$ 31,291
40	20	\$ 0	\$ 67,555	\$ 2,000	\$ 35,954
41	21	\$ 0	\$ 72,959	\$ 2,000	\$ 40,991
42	22	\$ 0	\$ 78,796	\$ 2,000	\$ 46,430
43	23	\$ 0	\$ 85,100	\$ 2,000	\$ 52,304
44	24	\$ 0	\$ 91,908	\$ 2,000	\$ 58,649
45	25	\$ 0	\$ 99,260	\$ 2,000	\$ 65,500
46	26	\$ 0	\$ 107,201	\$ 2,000	\$ 72,900
47	27	\$ 0	\$ 115,777	\$ 2,000	\$ 80,893
48	28	\$ 0	\$ 125,039	\$ 2,000	\$ 89,524
49	29	\$ 0	\$ 135,042	\$ 2,000	\$ 98,846
50	30	\$ 0	\$ 145,846	\$ 2,000	\$ 108,914
51	31	\$ 0	\$ 157,514	\$ 2,000	\$ 119,787
52	32	\$ 0	\$ 170,115	\$ 2,000	\$ 131,530
53	33	\$ 0	\$ 183,724	\$ 2,000	\$ 144,212
54	34	\$ 0	\$ 198,422	\$ 2,000	\$ 157,909
55	35	\$ 0	\$ 214,295	\$ 2,000	\$ 172,702
56	36	\$ 0	\$ 231,439	\$ 2,000	\$ 188,678
57	37	\$ 0	\$ 249,954	\$ 2,000	\$ 205,932
58	38	\$ 0	\$ 269,951	\$ 2,000	\$ 224,566
59	39	\$ 0	\$ 291,547	\$ 2,000	\$ 244,692
60	40	\$ 0	\$ 314,870	\$ 2,000	\$ 266,427

\$ 48,443 Greater Savings by You in Year 40 (Age 60)

Takeaway Lesson: If you save and invest in your 20s and then did nothing else, you will have more money than your pal who did not save in their 20s and then every year saved and invested in their 30s, 40s, and 50s. Furthermore, you would have only put in a 1/3rd of the money as your pal. Therefore, it is imperative to get young people to become financial knowledgeable and disciplined from a young age.

Another example of how important your early financial path can be is the impact of interest rates. Everyone has a FICO score, which determines the interest rate you receive on a loan such as a mortgage. The FICO score is dependent upon how financially disciplined you are, including your historical financial track record. In the chart below “FICO Score and Interest Rates,” you and your friend are both 31 years old and want to buy a single family home on O’ahu, whose 2014 average price is \$675,000. You each were able to provide a 20% down payment of \$135,000, not including fees – you from diligently saving in your 20s and your friend through an inheritance. Due to your better financial discipline and better credit history, you are able to get a 30 year fixed rate mortgage at 3.5%. Meanwhile, your friend whose FICO score was not as high, obtains a 4.5% interest, which is only a 1% difference and does not sound like a lot.

But, after those 30 years, that 1% difference in interest rates means you friend pays ~\$114,000 more in total payments to the mortgage company. On a pre-tax salary basis, this is the equivalent of an average Hawai’i worker (who makes ~\$45,000 a year), having to work an additional 3.5 years to make up the difference.

These seemingly small differences in paths at a very young age, end up in monumental gaps in wealth by the time one gets to be of retirement age. Financial literacy is absolutely critical for Hawai’i’s young people to learn early so they can be in a better position to experience the life they hope and dream about.

FICO Score and Interest Rates

Your FICO score is an individual's personal rating used by most banks and loan institutions to determine a loan rate. Your FICO score is based on your payment history (longer = higher FICO score), amount of debt outstanding (less debt = higher FICO score), amount of credit history (longer = higher FICO score), types of credit used (more types = higher FICO score), and search for credit (less credit and loan applications = higher FICO score). Your FICO score is a representation of how trustworthy you are, financially speaking. To obtain a higher score, a person needs to time to demonstrate their financial trustworthiness. A higher credit score can provide a lower interest rate on loans such as mortgages, car loans, credit cards, and student loans. This is how a lower interest rate impacts the average person:

Let's say you and your pal (both 31 years old) each just signed up for a 30 year fixed interest rate mortgage for an average Oahu single family home (\$675,000 in 2014). You both managed to put a 20% down payment (\$135,000 not including fees). Therefore, each 30 year mortgage is \$540,000. Your higher FICO score meant you received a 3.5% interest rate. Meanwhile, your pal, who has a lower FICO score, received a 4.5% interest rate. Look who comes out ahead.

Age	Years	YOU			YOUR PAL		
		Principal Payment	Interest Payment	Total Paid Over Time	Principal Payment	Interest Payment	Total Paid Over Time
31	1	\$ 10,461	\$ 18,900	\$ 29,361	\$ 8,851	\$ 24,300	\$ 33,151
32	2	\$ 10,827	\$ 18,534	\$ 58,721	\$ 9,250	\$ 23,902	\$ 66,303
33	3	\$ 11,206	\$ 18,155	\$ 88,082	\$ 9,666	\$ 23,485	\$ 99,454
34	4	\$ 11,598	\$ 17,763	\$ 117,442	\$ 10,101	\$ 23,050	\$ 132,606
35	5	\$ 12,004	\$ 17,357	\$ 146,803	\$ 10,555	\$ 22,596	\$ 165,757
36	6	\$ 12,424	\$ 16,937	\$ 176,163	\$ 11,030	\$ 22,121	\$ 198,909
37	7	\$ 12,859	\$ 16,502	\$ 205,524	\$ 11,527	\$ 21,625	\$ 232,060
38	8	\$ 13,309	\$ 16,052	\$ 234,884	\$ 12,046	\$ 21,106	\$ 265,211
39	9	\$ 13,775	\$ 15,586	\$ 264,245	\$ 12,588	\$ 20,564	\$ 298,363
40	10	\$ 14,257	\$ 15,104	\$ 293,605	\$ 13,154	\$ 19,997	\$ 331,514
41	11	\$ 14,756	\$ 14,605	\$ 322,966	\$ 13,746	\$ 19,405	\$ 364,666
42	12	\$ 15,272	\$ 14,088	\$ 352,326	\$ 14,365	\$ 18,787	\$ 397,817
43	13	\$ 15,807	\$ 13,554	\$ 381,687	\$ 15,011	\$ 18,140	\$ 430,969
44	14	\$ 16,360	\$ 13,001	\$ 411,047	\$ 15,686	\$ 17,465	\$ 464,120
45	15	\$ 16,932	\$ 12,428	\$ 440,408	\$ 16,392	\$ 16,759	\$ 497,271
46	16	\$ 17,525	\$ 11,836	\$ 469,768	\$ 17,130	\$ 16,021	\$ 530,423
47	17	\$ 18,138	\$ 11,222	\$ 499,129	\$ 17,901	\$ 15,251	\$ 563,574
48	18	\$ 18,773	\$ 10,587	\$ 528,489	\$ 18,706	\$ 14,445	\$ 596,726
49	19	\$ 19,430	\$ 9,930	\$ 557,850	\$ 19,548	\$ 13,603	\$ 629,877
50	20	\$ 20,110	\$ 9,250	\$ 587,210	\$ 20,428	\$ 12,724	\$ 663,029
51	21	\$ 20,814	\$ 8,546	\$ 616,571	\$ 21,347	\$ 11,804	\$ 696,180
52	22	\$ 21,543	\$ 7,818	\$ 645,931	\$ 22,308	\$ 10,844	\$ 729,332
53	23	\$ 22,297	\$ 7,064	\$ 675,292	\$ 23,312	\$ 9,840	\$ 762,483
54	24	\$ 23,077	\$ 6,283	\$ 704,652	\$ 24,361	\$ 8,791	\$ 795,634
55	25	\$ 23,885	\$ 5,476	\$ 734,013	\$ 25,457	\$ 7,695	\$ 828,786
56	26	\$ 24,721	\$ 4,640	\$ 763,373	\$ 26,602	\$ 6,549	\$ 861,937
57	27	\$ 25,586	\$ 3,775	\$ 792,734	\$ 27,800	\$ 5,352	\$ 895,089
58	28	\$ 26,482	\$ 2,879	\$ 822,095	\$ 29,050	\$ 4,101	\$ 928,240
59	29	\$ 27,408	\$ 1,952	\$ 851,455	\$ 30,358	\$ 2,794	\$ 961,392
60	30	\$ 28,368	\$ 993	\$ 880,816	\$ 31,724	\$ 1,428	\$ 994,543

\$ 113,727 Greater Savings by You at end of Mortgage (Age 60)

Takeaway Lesson: Through financial discipline in your 20s, you can save lots of money, not only on mortgage debt but other forms of debt as well. In the example above, you saved ~\$114,000 more than your pal in post-tax earnings due to a 1% lower interest rate, which stemmed from financial literacy. \$114,000 in post tax money is about the equivalent about three to four years of an average worker's earnings in Hawaii. Therefore, it is imperative to get young people to become financial knowledgeable and disciplined from a young age.

These examples are just some of the challenges that young people will face and are likely to find trouble navigating. Sadly, in education, you don't know what you don't know until you learn what you don't know. Therefore, they will not be able to understand that one of the reasons for their financial difficulty is that the Hawai'i public school system did not create a systemic policy that would have taught them financial literacy throughout their educational formative years.

Policy makers often discuss the "brain drain" of our children having to leave their families, friends, and our state to start lives elsewhere, often due to economic reasons. This permanently reshapes the very culture of who Hawai'i is.

I am 30 years old and I watch a lot of my peers stress over work so they can meet their basic needs and then stress with their remaining time because they worry about never getting ahead of their financial situation. It places great stress on their significant others, their families, their friends, and most importantly on their own self-esteem and self-worth.

I also believe the great recession of 2008 – 2011, changed the millennial generation. They understand how important money is to their success and began to save more judiciously. However, the next generations of students need to learn the financial literacy lessons that can help prepare them to make more informed decisions. It should not have to take an economic downturn for a generation to learn to be proactive about their financial future. It is no longer acceptable to avoid the taboo subject of money with our children.

A starting point for solving the lack of financial education is in 2008, the Legislature passed Senate Concurrent Resolution 92 and Senate Resolution 52, which created a task force to focus on asset building strategies and mechanisms. The stated goals at the time included:

- Universal, matched savings accounts for newborns
- Statewide standards for financial and economic education for public and private sector employees
- The elimination of asset limits as a bar to eligibility to public benefits programs

While not directly focused on financial literacy in schools, the report does briefly note financial education in schools in a few places in the report. One goal of the five goals set forth by the financial education subcommittee notes, "All Hawaii residents will receive (or have opportunity to receive) financial education when participating in the public education system from entry to exit."

The committee noted that the current status of K-12th grade includes:

- Financial literacy content and/or courses are at the discretion of the teachers and principal at any particular school
- The Hawaii Content and Performance Standards III do not currently include any significant financial literacy standards
- Schools are not required to offer financial literacy courses

- Students are not required to take financial literacy courses

Possible recommendations by the committee included:

- Teach basic financial needs, including budgeting, financial terms, etc. within the public education system. Incorporate these basic financial behaviors and concepts in a range of course subject matters, including math and economics.
- Make financial literacy an elective within the public education system.
- Make financial literacy a graduation requirement within the public high school system.
- Require financial education to those receiving post-secondary scholarships and financial aid.

The above bullet points are all the task force noted about financial literacy. Perhaps, most importantly, it did not indicate how to achieve any of these goals. Currently, the task force members have not implemented any of these goals since the recommendations were put forth in 2010. The task force this current resolution is trying to create would build upon the goals set in the previous task force and work on the details required to implement those recommendations.

For financial education to exist in all schools, I believe the proposed task force is the necessary start of a long-term process that begins with getting experts and stakeholders to come together in a formal, serious, task force whose sole focus is to make financial literacy education apart of the curriculum in every public school in the state.

In addition, part of the reason for a task force as a first step is to uncover what are the additional challenges, concerns, and funding levels required to implement a successful program. Through the task force bringing in many key stakeholders, the goal is also to obtain buy-in from many different and influential people and organizations. If successful, this initiative could require lots of time, financial resources, and a lot of compromise. However, if financial literacy is not implemented throughout the public schools, the status quo will remain and another generation of our children will desperately struggle to find answers to the financial challenges that await them in their future.

I urge this committee to pass this resolution and become champions for a long-term vision of providing our keiki with the financial literacy tools they will need to thrive within the public school education system.

Respectfully,

Brandon Lee

Email: bran1322@yahoo.com

HOUSE COMMITTEE ON FINANCE
Monday, April 27, 2015 –2:00 p.m. – Room 308

Testimony in SUPPORT of Senate Concurrent Resolution 97 SD 1, Relating to Education

Dear Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

My name is Davis Hawkins. Raised in California and Japan, I graduated from Stanford University and began a career in international and corporate banking with Bank of America after serving as an intelligence officer at Ft. Shafter. Banking assignments in San Francisco (while concomitantly studying toward an MBA degree in finance) Kobe, Osaka, Tokyo, Seoul, and New York led me to become a senior-level executive search consultant in Tokyo, New York, and Singapore. By senior-level, we would recruit for positions paying as low as \$200,000/year. I was recruiting people into positions that paid more than \$1 million/year. After retiring in Singapore, my wife and I moved to Honolulu where I later became a federal, national security investigator for nearly a decade. I currently volunteer at the University of Hawaii, including as an Advisory Board member of The Pacific Asian Center for Entrepreneurship, Shidler College of Business.

From my experience, financial acuity is imperative. It can mean the difference between career upward mobility and career stagnation. A highly qualified candidate for an investment banking position in New York paying in the high six figures was ultimately turned down when it was learned that he had serious debt issues. The hiring manager concluded that he could not place the bank at risk in the unlikely event that the individual jeopardize the bank for personal financial gain. The candidate was devastated.

As federal, national security investigators, we were trained to seek issue resolution for a variety of situations that could negatively impact the safeguarding of national secrets. Individuals could lose or be denied security clearances due to any number of transgressions, including arrest records, drug or alcohol use, foreign activities, mental and emotional instability, character questions, etc. However, the one area I felt tripped up the most people dealt with personal financial problems. We pulled the credit reports on everyone we investigated. Would someone sell secrets to bail themselves out of a bad financial situation? National security cannot be exposed to such risks. Without a security clearance, people can lose their jobs or not have access to career-building opportunities.

I cannot recall the number of times I heard the following sentences and others like them during my investigations. "If I had only known." "My parents never taught me about personal financial issues." "I wish I knew then what I know now."

Thank you for the opportunity to submit this testimony.

Respectfully,

W. Davis Hawkins, Jr.
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LATE

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Date: April 27, 2015

To: Representative Sylvia Luke, Chair, Representative Scott Y. Nishimoto, Vice Chair, and members of the Committee on Finance

From: Brent Kakesako, Hawai'i Alliance for Community-Based Economic Development (HACBED)

Re: Support for SCR 97 SD 1

Aloha Chair Luke, Vice Chair Nishimoto, and Committee Members,

The Hawai'i Alliance for Community-Based Economic Development (HACBED) supports SCR 97 SD 1, which requests the Department of Education to establish a Hawai'i Public Schools Financial Literacy Task Force.

HACBED was established in 1992 as a nonprofit statewide intermediary to address social, economic, and environmental justice concerns through community-based economic development and asset building strategies. It advances its mission with core competencies in the areas of community and organizational capacity building, community and economic development planning, and asset policy development and advocacy. HACBED played a facilitating role in the State Asset Policy Task Force and was a key contributor to the State Asset Policy Road Map. As such, HACBED sees a Financial Literacy Task Force as the logical next step.

The Family Economic Self-Sufficiency Standard (FESS) depicts the obstacles that Hawai'i families are facing. The FESS measures the amount of money that individuals and families require to meet their basic needs without government and/or other subsidies and the data shows the following percentage of families who fall below the self-sufficiency standard statewide:

- 25.9% of families with two adults and two children;
- 77.3% of single-adult families with one child; and
- 74.3% of single-adult families with two children.

Financial literacy is a critical need from a young age to help youth understand the situations they are facing. SCR 97 SD 1 would establish a Task Force that would determine the best way to integrate financial literacy into existing public school curriculum with the help of community partners

Mahalo for this opportunity to testify,

Brent N. Kakesako
Executive Director
Hawai'i Alliance for Community-Based Economic Development



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LATE

Testimony to the House Committee on Finance
April 27, 2015, 2:00 PM

In support of SCR 97, Hawaii Public Schools Financial Literacy Task Force

To: The Honorable Sylvia Luke, Chair
The Honorable Scott Nishimoto, Vice-Chair
Members of the Committee

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 70 Hawaii credit unions, representing approximately 804,000 credit union members across the state.

This resolution would establish a financial literacy task force. We are in support of this measure, and look forward to participating in the discussions.

Hawaii's credit unions have long been advocates of financial literacy and wellness, sponsoring many educational programs for children from "Kids Savings" programs to assisting schools in starting their own student-run credit unions. Teaching children about the importance of saving money and understanding finances from a young age has proven extremely successful in promoting financial security in their later years.

Thank you for the opportunity to comment.